

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name DOUGLASS TOWNSHIP	County MONTCALM
Audit Date 3/31/05	Opinion Date 5/10/05	Date Accountant Report Submitted to State: 8/12/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable boxes for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL: 129/91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) YEO & YEO PC			
Street Address 7810 N. ALGER ROAD	City ALMA	State MI	ZIP 48801
Accountant Signature 			

Douglass Township
Montcalm County, Michigan
Annual Financial Statements
and
Auditors' Report
March 31, 2005

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Douglass Township
List of Elected and Appointed Officials
March 31, 2005

Township Board

Terry Anderson - Supervisor

Amy Laper - Treasurer

Sharlene Hopp - Clerk

Thomas Jeppesen - Trustee

Scott Millard -Trustee



7810 N. Alger Rd.
Alma, MI 48801
Phone (989) 463-6108
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Independent Auditors' Report

To the Township Board
Douglass Township
Stanton, MI

We have audited the accompanying financial statements of the governmental activities and the General Fund of Douglass Township as of and for the year ended March 31, 2005, which collectively comprise the Municipality's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Municipality's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of Douglass Township as of March 31, 2005 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Municipality has implemented a new reporting model as required by the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments* and Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2003.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Douglass Township's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

May 10, 2005
Alma, Michigan

Douglass Township
Management's Discussion and Analysis
Year Ended March 31, 2005

Our discussion and analysis of Douglass Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2005. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2005.

Total net assets related to the Township's governmental activities are \$728,321. The amount that is unrestricted is \$487,132.

State shared revenues, our largest revenue source, was reduced by approximately \$3,700 by the State of Michigan this year. In light of continuing State Budget Problems, and constant threats to take away all revenue sharing, the Township has reacted by invoking tighter controls over all expenditures and trying to get better interest rates on CDs and money market accounts.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Douglass Township as a whole and present a longer-term of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing governmental services.

The fund financial statements present a short term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Douglass Township
Management's Discussion and Analysis
Year Ended March 31, 2005

Douglass Township as a Whole

The following table shows, in a condensed format, the net assets as of March 31, 2005.

Table 1

	Governmental Activities 2005
	<hr/>
Current assets	\$ 497,045
Capital assets, net	<u>241,189</u>
Total Assets	<hr/> 738,234
Current liabilities	<u>9,913</u>
Total net assets	<u>\$ 728,321</u>

Douglass Township's net assets of governmental activities are \$728,321, of which \$487,132 is unrestricted .

Douglass Township
Management's Discussion and Analysis
Year Ended March 31, 2005

The following table shows, in a condensed format, the change in net assets as of the March 31, 2005.

Table 2

	<u>Governmental Activities</u>
Revenue	
Program revenue	
Charges for services	\$ 5,710
General revenue	
Property taxes	58,502
State-shared revenue	166,200
Unrestricted investment earnings	7,439
Miscellaneous	<u>8,507</u>
Total revenue	<u>246,358</u>
Program expenses	
General government	111,642
Public safety	67,901
Public works	103,543
Community and economic development	<u>2,849</u>
Total program expenses	<u>285,935</u>
Change in net assets	<u><u>\$ (39,577)</u></u>

**Douglass Township
Management's Discussion and Analysis
Year Ended March 31, 2005**

Governmental Activities

Douglass Township's total governmental activity revenues were \$246,358. There was a slight decrease in State-shared revenue.

Governmental activity expenditures of \$277,132 were recorded for the year. This included increases in road improvement projects and fire protection.

Douglass Township's Funds

The fund financial statements provide detailed information about the most significant funds, not Douglass Township as a whole. The Township Council creates funds to help manage money for specific purposes as well as show accountability for certain activities.

a) **General Fund**

Functions relating to the general governmental activities of the Township, which are financed by property tax levies, by distribution of State revenues from fees charged for various municipal activities and services are recorded in the General Fund. This fund had a decrease in fund balance of \$30,774 in 2005.

b) **Fiduciary Fund**

The Fiduciary Fund is custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

General Fund Budgetary Highlights

Over the course of the year, the Township Board monitors and amends the budget to account for unanticipated events during the year. The most significant change was a decrease in State shared revenue and interest payment from current CDs and money market accounts. Prudent budgeting and continued monitoring of all expenditures reduced the effect of these cuts.

**Douglass Township
Management's Discussion and Analysis
Year Ended March 31, 2005**

Capital Assets

At March 31, 2005, Douglass Township has \$298,337 invested in a wide range of capital assets, including land, buildings, and machinery and equipment. The total amount of accumulated depreciation as of March 31, 2005 is \$57,148, of which \$241,189 remains as net capital assets at the end of the fiscal year.

Economic Factors and Next Year's Budgets and Rates

The Township needs to continue to monitor its budget very closely. State revenue-sharing payments were decreased again this past year with the potential to decrease again due to State cutbacks and less sales tax receipts at the State level.

Despite these concerns, the Township will continue to operate as efficiently as possible in the next fiscal year.

Contacting Douglass Townships Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of Douglass Township's finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the administration offices at Township hall.

Douglass Township
Statement of Net Assets
March 31, 2005

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Assets	
Cash and cash equivalents	\$ 390,466
Receivables	
Taxes	5,570
Customers	243
Accrued interest and other	56,507
Due from other units of government	40,557
Prepaid items	3,702
Capital assets, net	<u>241,189</u>
 Total assets	 <u>738,234</u>
 Liabilities	
Accounts payable	8,287
Accrued and other liabilities	<u>1,626</u>
 Total liabilities	 <u>9,913</u>
 Net Assets	
Invested in capital assets	241,189
Unrestricted	<u>487,132</u>
 Total net assets	 <u><u>\$ 728,321</u></u>

See Accompanying Notes to Financial Statements

Douglass Township
Statement of Activities
For the Year Ended March 31, 2005

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>
			<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Functions/Programs				
Primary government				
Governmental activities				
General government	\$ 111,642	\$ 5,710	\$ -	\$ (105,932)
Public safety	67,901	-	-	(67,901)
Public works	103,543	-	-	(103,543)
Community and economic development	2,849	-	-	(2,849)
Total primary government	<u>\$ 285,935</u>	<u>\$ 5,710</u>	<u>\$ -</u>	<u>(280,225)</u>
General revenues				
Property taxes				58,502
State shared revenue				166,200
Unrestricted investment earnings				7,439
Miscellaneous				8,507
Total general revenues and transfers				<u>240,648</u>
Change in net assets				(39,577)
Net assets - beginning of year				<u>767,898</u>
Net assets - end of year				<u>\$ 728,321</u>

See Accompanying Notes to Financial Statements

Douglass Township
Governmental Funds
Balance Sheet
March 31, 2005

	<u>General</u>
Assets	
Cash and cash equivalents	\$ 390,466
Receivables	
Taxes	5,570
Customers	243
Accrued interest and other	5,719
Due from other units of government	40,557
Due from other funds	50,788
Prepaid items	<u>3,702</u>
 Total assets	 <u>\$ 497,045</u>
 Liabilities	
Accounts payable	\$ 8,287
Accrued and other liabilities	<u>1,626</u>
 Total liabilities	 9,913
 Fund Balances	
Unreserved, reported in:	
General fund	<u>487,132</u>
 Total liabilities and fund balances	 <u>\$ 497,045</u>

Douglass Township
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
March 31, 2005

Total fund balances for governmental funds	\$ 487,132
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Total net assets for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>241,189</u>
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Net assets of governmental activities	<u><u>\$ 728,321</u></u>
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Douglass Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2005

	<u>General</u>
Revenues	
Taxes	\$ 58,502
Licenses and permits	1,120
State revenue sharing	161,235
Other state grants	4,965
Charges for services	2,010
Interest income	7,439
Rental income	3,700
Other revenue	<u>7,387</u>
 Total revenues	 <u>246,358</u>
 Expenditures	
Current	
General government	103,275
Public safety	67,901
Public works	103,107
Community and economic development	<u>2,849</u>
 Total expenditures	 <u>277,132</u>
 Net change in fund balance	 (30,774)
 Fund balance - beginning of year	 <u>517,906</u>
 Fund balance - end of year	 <u>\$ 487,132</u>

See Accompanying Notes to Financial Statements

Douglass Township
Governmental Funds
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2005

Net change in fund balances - Total governmental funds \$ (30,774)

Total change in net assets reported for governmental activities in the statement of activities
is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those
assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense (8,803)

Change in net assets of governmental activities \$ (39,577)

Douglass Township
Fiduciary Funds
Statement of Net Assets
March 31, 2005

Assets

Cash and cash equivalents

	<u>Agency Funds</u>
	\$ 50,788

Liabilities

Due to other funds

	<u>\$ 50,788</u>
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See Accompanying Notes to Financial Statements

Douglass Township
Notes to Financial Statements
March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Douglass Township is governed by an elected five-member Board. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Douglass Township
Notes to Financial Statements
March 31, 2005

Additionally, the government reports the following Fiduciary Fund:

The Current Tax Collection Fund accounts for property tax and other deposits collected on behalf of other units and individuals.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to

as “advances to/from other funds.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2004 taxable valuation of the government totaled \$54,679,590, on which ad valorem taxes consisted of .7541 mills for operating purposes. This resulted in \$41,224 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Prepaid items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Douglass Township
Notes to Financial Statements
March 31, 2005

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Water and sewer lines	50 to 75 years
Vehicles	3 to 5 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years

Comparative data

Comparative data is not included in the Municipality's financial statements.

GASB 34

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*. Douglass Township has applied the provisions of this statement and related GASB statements in the accompanying financial statements (including the notes to financial statements). The Township has elected to implement the general provisions of the statement. Certain significant changes in the statement include the following:

- A management's discussion and analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Township's activities.
- A change in the fund financial statements to focus on the major funds.

- Capital assets at April 1, 2004 previously reported in the General Fixed Assets Account Group have been adjusted by approximately \$45,869 to \$241,189 to reflect the historical cost and accumulated depreciation of the Township's capital assets at that date.

Economic Dependency

The Township received approximately 66% of their General Fund revenue from the State of Michigan. Due to the significance of this revenue source, the Township is considered to be economically dependent on the State of Michigan.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information

The Municipality is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to March 1, the Township Supervisor submits to the Township board a proposed operating budget for the fiscal year commencing the following April 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to March 31.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items

Douglass Township
Notes to Financial Statements
March 31, 2005

within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

Excess of expenditures over appropriations

<u>Fund</u>	<u>Total Appropriation</u>	<u>Amount Expended</u>	<u>Unfavorable Variance</u>
General			
Public Safety	\$62,893	\$67,901	\$5,008
Public Works	78,107	103,107	25,000

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91 authorizes the Municipality to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The governing body has designated five banks for the deposit of local unit funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in

bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

	<u>Cash and Cash Equivalents</u>
Governmental activities	\$ 390,466
Fiduciary funds	<u>50,788</u>
Total	<u>\$ 441,254</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Bank deposits (checking and savings accounts, certificates of deposit)	\$ 390,466	\$ 50,788

Deposits

The bank balance was \$ 448,154 at year end. Of the bank balance, \$ 394,074 was covered by federal depository insurance and \$ 54,080 was uninsured and uncollateralized.

Douglass Township
Notes to Financial Statements
March 31, 2005

NOTE 4 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 21,800	\$ -	\$ -	\$ 21,800
Capital assets being depreciated				
Buildings, additions and improvements	256,000	-	-	256,000
Machinery and equipment	<u>20,537</u>	<u>-</u>	<u>-</u>	<u>20,537</u>
Total capital assets being depreciated	<u>276,537</u>	<u>-</u>	<u>-</u>	<u>276,537</u>
Less accumulated depreciation for				
Buildings, additions and improvements	35,536	6,410	-	41,946
Machinery and equipment	<u>12,809</u>	<u>2,393</u>	<u>-</u>	<u>15,202</u>
Total accumulated depreciation	<u>48,345</u>	<u>8,803</u>	<u>-</u>	<u>57,148</u>
Net capital assets being depreciated	<u>228,192</u>	<u>(8,803)</u>	<u>-</u>	<u>219,389</u>
Governmental activities capital assets, net	<u>\$ 249,992</u>	<u>\$ (8,803)</u>	<u>\$ -</u>	<u>\$ 241,189</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	\$ 8,367
Public works	<u>436</u>
Total governmental activities	<u>\$ 8,803</u>

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Agency	\$ 50,788 Tax monies due to general fund

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

NOTE 6 - RISK MANAGEMENT

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined contribution pension plan

Plan description – The government has a defined contribution pension plan covering all elected officials. Contributions are based on a salary schedule. The employee is required to contribute the first \$25 and the Township contributes the remaining amount of the premium. All contributions are vested immediately.

Annual pension costs – For year ended 2005, the government's annual pension cost of \$6,596 for the plan was equal to the required and actual contribution.

Douglass Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u> <u>Final</u> <u>Budget</u>
Revenues				
Taxes				
Property taxes	\$ 40,050	\$ 40,050	\$ 41,212	\$ 1,162
Penalties and interest	700	700	705	5
Administration fee	13,000	13,000	16,585	3,585
Licenses and permits	1,000	1,000	1,120	120
State revenue sharing	100,000	100,000	161,235	61,235
State grants	-	-	4,965	4,965
Charges for services	1,200	1,200	2,010	810
Interest income	8,000	8,000	7,439	(561)
Rental income	3,000	3,000	3,700	700
Other revenue	350	350	7,387	7,037
Total revenues	<u>167,300</u>	<u>167,300</u>	<u>246,358</u>	<u>79,058</u>
Expenditures				
General government				
Township board	38,150	36,349	17,223	(19,126)
Supervisor	6,400	6,400	7,972	1,572
Manager	4,350	4,350	4,588	238
Clerk	16,020	16,070	13,300	(2,770)
Audit	1,500	1,500	1,725	225
Board of review	1,100	1,100	1,089	(11)
Treasurer	11,770	11,770	13,265	1,495
Assessor	21,165	22,565	22,199	(366)
Elections	6,700	6,741	3,711	(3,030)
Buildings and grounds	11,400	11,710	10,029	(1,681)
Cemetery	9,500	9,500	8,174	(1,326)
Total general government	<u>128,055</u>	<u>128,055</u>	<u>103,275</u>	<u>(24,780)</u>

Douglass Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Public safety				
Fire department	66,000	62,893	67,901	5,008
Public works				
Highways, streets and bridges	75,000	78,107	103,107	25,000
Community and economic development				
Planning	3,575	3,575	2,196	(1,379)
Zoning	-	-	653	653
Total community and economic development	<u>3,575</u>	<u>3,575</u>	<u>2,849</u>	<u>(726)</u>
Total expenditures	<u>272,630</u>	<u>272,630</u>	<u>277,132</u>	<u>4,502</u>
Excess (deficiency) of revenues over expenditures	(105,330)	(105,330)	(30,774)	74,556
Fund balance - beginning of year	<u>517,906</u>	<u>517,906</u>	<u>517,906</u>	-
Fund balance - end of year	<u>\$ 412,576</u>	<u>\$ 412,576</u>	<u>\$ 487,132</u>	<u>\$ 74,556</u>



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May 10, 2005

To the Township Board
Douglass Township
Montcalm County, Michigan

In planning and performing our audit of the financial statements of Douglass Township for the year ended March 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. As a result of the aforementioned study, we became aware of the following matters that are an opportunity for strengthening internal control and operating efficiency. The following summarizes our comments and suggestions regarding these matters.

BLANK CHECK STOCK

During the inquiry with township employees regarding internal control procedures for cash disbursements and payroll checks, it was noted that the blank check stock was not locked up. We recommend that all blank check stock be locked up to tighten internal controls.

CAPITAL ASSETS

We suggest that the Township adopt a capitalization policy to determine which assets should be capitalized and which assets should be expensed. This will eliminate small immaterial items from being capitalized and depreciated.

ACCOUNTING POLICY AND PROCEDURES MANUAL

Douglass Township's employees maintain segregation of duties as much as possible with limited staffing, however, no written established policies or procedures were available.

We suggest the Township document policies and procedures relating to accounting record keeping and financial decision making. The Michigan Department of Treasury's Local Government Audit and Finance Division has a manual titled *Uniform Accounting Procedures Manual* available to assist local units of government in preparation of such written procedures.

In addition, the Michigan Townships Association has information available to assist Officials in preparing and adopting policies and procedures for the Township.



We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with Township personnel, and we will be happy to discuss with you, at your convenience, any accounting or reporting issues for which you would like additional information or guidance. We are grateful for the opportunity to be of service to the Township and would appreciate any referrals or recommendations you might have for ways that we can improve our service to you.

This report is intended solely for the information and use of the Township Board, management, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

YEO & YEO, P.C.
CPAs and Business Consultants

Yeo & Yeo, P.C.